

Coin-sale profits soon to become a taxing affair

By Roger Boye 450

When Earl Johnson sold a hoard of common-date silver coins last month, he told the coin-store clerk to pay him in cash.

"I wanted no written record of the transaction," Johnson said. "I figured the \$425 windfall should be all mine rather than partly Uncle Sam's."

Johnson [not his real name] is just one of many collectors who deal strictly in greenbacks to conceal the profits from coin-related investments. Indeed, some experts believe that the Internal Revenue Service never learns of money made in 25 percent or more of all coin trades.

But starting July 1, the IRS will require dealers to report purchases of "bullion coins" on Form 1099-B in an attempt to stem part of the government's tax-revenue loss, said an IRS spokesman in Washington on June 6.

Persons like Earl Johnson, for example, will have to divulge their names, addresses and Social Security numbers when selling "bulk silver" to dealers. Presumably, IRS agents will compare some of the information they get from dealers with figures reported for capital gains on individual tax returns.

If the numbers don't match, the coin sellers may be in trouble with the IRS, of course.

Although IRS officials were still fine-tuning the regulations early in June, information released at that time had confused and angered some Chicago coin dealers. Among other things, they complained that the IRS had not adequately explained the reporting requirements and that the rules apparently will generate much paperwork.

At least one dealer, Numisco Inc. president Walter Perschke, suggested that any new IRS rules involving coin dealers could be illegal because bureaucrats may have interpreted a federal law too broadly. Besides, the money spent enforcing the rules would exceed the income raised, he predicted.

The new regulations affect coins and other objects that are valuable for their precious-metal content, such as the South African Krugerrands and common-date silver coins, the IRS spokesman said. All "collectible coins" are exempt, although Numismatic News reported this month that the IRS may someday seek to have dealers report trades of these items, too.

Meanwhile, some Chicago hobbyists want the IRS to amend its regulations to exempt trades of a few small-value bullion coins, a suggestion initially made in Numismatic News. If the change is made, owners of coin stores wouldn't have to waste time telling the IRS they bought two common-date silver dimes for \$1.65, for example.